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SUPREME COURT, U.S.
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No. 96-195

In The

Supreme Court of the United States

October Term, 1995

DILLARD DEPARTMENT STORES, INC.,

Petitioner,

v.

HAROLD'S STORES, INC.,
and CMT ENTERPRISES, INC.,

Respondents.

Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Tenth Circuit

RESPONDENT HAROLD'S STORES, INC.'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether there is a conflict between the Circuits on the test to be applied in determining whether § 301(a) of the Copyright Act of 1976 preempts a state law cause of action.

2. Whether the Judgment obtained against Petitioner would be affected even if Petitioner received the relief it seeks from this Court.

PARENT/SUBSIDIARIES OF CORPORATE RESPONDENT

There are no related companies, subsidiaries, or affiliates of Respondent Harold's Stores, Inc., which meet the requirements of Rule 29.6.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

PARENT/SUBSIDIARIES OF CORPORATE RESPONDENT ii

TABLE OF AUTHORITIES iv

STATEMENT OF THE CASE 1

REASONS FOR DENYING THE WRIT 2

I. There Is No Conflict Between The Circuits On The Test For Copyright Preemption 2

II. The Relief Sought By Dillard's Will Not Affect The Judgment Against Dillard's 5

CONCLUSION 8

TABLE OF AUTHORITIES

Page

CASES

Baltimore Orioles v. Major League Baseball Players, 805 F.2d 663 (7th Cir. 1986) 4

Computer Assocs. Int'l v. Altai, 982 F.2d 693 (2nd Cir. 1992) 3

Daboud v. Gibbens, 42 F.3rd 285 (5th Cir. 1995) 4

Gates Rubber Co. v. Bando Chemical Industries, Ltd., 9 F.3rd 823 (10th Cir. 1993) 4

Harper & Row Publishers v. Nation Enterprises, 723 F.2d 195 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (9th Cir. 1984) 3, 4

Oddo v. Ries, 743 F.2d 630 (9th Cir. 1984) 4

Trandes Corp. v. Guy F. Atkinson Co., 996 F.2d 655 (4th Cir. 1993) 3, 4

STATUTES

17 U.S.C. §§ 101 *et seq.* 1

15 O.S. §§ 598.1 *et seq.* 1

79 O.S. § 1 ..... 1, 6

OTHER AUTHORITIES

Robert L. Stern et al., *Supreme Court Practice*, § 4.4 (7th ed. 1993) 5

STATEMENT OF THE CASE

Nature of Action: Petitioner, Dillard Department Stores, Inc. ("Dillard's"), was sued by Harold's Stores, Inc., ("Harold's") and CMT Enterprises, Inc. jointly for copyright infringement under the Copyright Act of 1976 pursuant to 17 U.S.C. §§ 101 *et seq.* Harold's also sued Dillard's for violations of the Oklahoma antitrust laws, at 79 O.S. § 1, and the Oklahoma Unfair Sales Act, at 15 O.S. §§ 598.1 *et seq.* Judgment was entered against Dillard's on all three claims.

Dillard's currently seeks this Court's review of the Tenth Circuit's decision solely on the grounds that the Tenth Circuit applied an incorrect test in its preemption analysis. Dillard's contends that had the correct test been applied, Harold's state antitrust claim would have been preempted by federal copyright law. Because the state antitrust claim was brought by Harold's only, Dillard's Petition for Writ of Certiorari ("Petition") seeking preemption of Harold's state antitrust claim only affects Harold's. Thus, Harold's is the only Respondent to Dillard's Petition.

Harold's Claim: Dillard's misstates the basis of Harold's state antitrust claim. Both the District and Circuit Courts' opinions reflect the correct basis of Harold's antitrust claim – Harold's alleged and proved that Dillard's act of copyright infringement *and* its pricing conduct of the garments at issue, i.e., selling the garments below cost, constituted acts in restraint of trade which violated the Oklahoma antitrust laws found at 79 O.S. § 1. (A. 22, 24, 42-43 and 58). Assertions by Dillard's to the contrary are incorrect and unsupported by the record.

Ruling on Appeal: Dillard's erroneously argues that the Tenth Circuit disregarded Dillard's conduct in determining whether preemption of Harold's state antitrust claim was proper. The Tenth Circuit (in accord with other circuits) employed the "extra element" test, comparing the elements of Harold's state antitrust claim to the elements of copyright infringement, and inquiring whether the extra element of Harold's state antitrust claim was "qualitatively different" from the copyright infringement claim. (A. 10-14). In determining whether the extra element was "qualitatively different", the Tenth Circuit considered the conduct and the proof required to establish the extra element. (A. 13-14). Employing this analysis, the Tenth Circuit determined that the extra element required proof beyond what is required for a copyright infringement claim, and therefore, the Court affirmed the District Court's ruling that preemption is improper in this case. (A. 13-14).

REASONS FOR DENYING THE WRIT

I. There Is No Conflict Between The Circuits On The Test For Copyright Preemption.

The Circuits uniformly apply the same test to determine whether § 301(a) of the Copyright Act of 1976 preempts a state law cause of action. None of the Circuits recognize a purported split relating to the test to be applied in determining preemption. The decision by the Tenth Circuit Court of Appeals in this case did not reject one test for preemption over another; it followed the test applied by all circuits.

Dillard's erroneously argues that the Fourth and Tenth Circuits reject the test for preemption followed by the Second, Fifth, Seventh and Ninth Circuits. Dillard's contends that *only* the Fourth and Tenth Circuits look to whether there exists an extra element beyond that required to prove copyright infringement, while other Circuits disregard the elements of the state law claim and look to whether the "facts pleaded . . . establish qualitatively different *conduct* on the part of the infringing party." (Dillard's Petition at p. 9). Dillard's erroneous argument is based upon quotes taken out of context and does not accurately reflect the tests employed in those Circuits.

The "extra element" test Dillard's ascribes only to the Tenth and Fourth Circuits is the same test employed by the Second, Fifth, Seventh and Ninth Circuits. The opinions cited by Dillard's purportedly standing for the proposition that the Second, Fifth, Seventh and Ninth Circuits do not look at the *elements* of the state cause of action, but rather at defendant's *conduct*, do not so hold.[1] *See, Computer Assocs. Int'l. v. Altai*, 982 F.2d 693, 716-17 (2d Cir. 1992) ("Following this 'extra element' test" . . .); *Harper & Row Publishers v. Nation Enterprises*, 723 F.2d 195, 200 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985)

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[1] Dillard's argues that there is a conflict in the Circuits by acknowledging only part of the Circuits' analysis. In examining the *elements* beyond those necessary to prove infringement, all of the Circuits (including the Tenth) necessarily look at the conduct and proof of that element to determine whether that element is "qualitatively different" from the federal copyright claim. *See e.g., Trandes Corp.* at 659; *Computer Assocs. Int'l* at 716-17; *Harold's* at A. 14.

("Conversely, when a state law violation is predicated upon an act incorporating *elements* beyond mere reproduction . . . preemption will not occur") (emphasis added); *Daboud v. Gibbens*, 42 F.3d 285, 289 (5th Cir. 1995) (the plaintiff has "failed to allege or produce evidence of any element . . . which render [their claims] different in kind from copyright infringement."); *Baltimore Orioles v. Major League Baseball Players*, 805 F.2d 663, 678 n.26 (7th Cir. 1986) (agreeing with Congress that preemption should occur when a claim contains "*elements . . . that are different in kind from copyright infringement*") (emphasis in original); *Oddo v. Ries*, 743 F.2d 630, 635 (9th Cir. 1984) ("if violation of the state right is 'predicated upon an act incorporating *elements* beyond mere production or the like,' [sic.] there is no preemption") (emphasis added).

The Tenth and Fourth Circuits actually rely upon and cite to some of the other Circuits with which Petitioner wrongly asserts the existence of a conflict. For example, the Fourth Circuit, in *Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 659 (4th Cir. 1993), relied upon Second Circuit decisions (citing to *Harper & Row* and *Computer Assocs. Int'l.* cases, as well as a Ninth Circuit decision). (*See id.* at 659-60). The Tenth Circuit, in its opinion in this case and in the *Gates Rubber Co. v. Bando Chemical Industries, Ltd.*, 9 F.3d 823, 847 (10th Cir. 1993), similarly relies on Second and Ninth Circuit decisions. (*See* A. 10-14).

Because there is no conflict among the Circuits, Dillard's Petition should be denied.

II. The Relief Sought By Dillard's Will Not Affect The Judgment Against Dillard's

Dillard's Petition should also be denied because the relief sought by Dillard's – i.e., a holding that the test for determining whether the Copyright Act of 1976 preempts a state law cause of action requires a consideration of the defendant's conduct rather than an examination of the elements of the state law cause of action – would not alter the judgment in the immediate action against Dillard's.[2]

Dillard's argues that the Tenth Circuit held that Harold's Oklahoma antitrust claim was not preempted by federal copyright law because it had an extra *element* in addition to that which is required to prove copyright infringement, thereby completely disregarding Dillard's *conduct*. Dillard's then argues that other circuits hold that federal copyright law preempts state law causes of action only when the *conduct* of the infringing party goes beyond the mere act of copyright infringement. (Petition, pages 8-9). As shown above, this is not correct. However, Harold's was required to allege *and* prove conduct beyond mere copyright infringement for its Oklahoma antitrust claim. Specifically, Harold's alleged and proved, as part of its proof of the element of restraint of trade in its Oklahoma antitrust claim, that Dillard's violated

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[2] *See*, Robert L. Stern et al., *Supreme Court Practice*, § 4.4, (7th ed. 1993), wherein it is noted that one of the grounds for denying certiorari is when the resolution to a clear conflict is irrelevant to the ultimate outcome of the case before the Court. (See ¶(6) p. 173). As shown above, however, there is *no conflict* between the Circuits.

Harold's copyrights *and* restrained trade by selling the garments below cost.[3]

Thus, while the Tenth Circuit held that Harold's Oklahoma antitrust claim was not preempted by the federal copyright law because the Oklahoma antitrust law claim required an extra element of "restraint of trade" (A. 14), that element required Harold's to prove *conduct* by Dillard's, i.e., that Dillard's not only infringed Harold's copyrights, but additionally sold the garments below cost. (A. 24).

The *combination* of Dillard's copyright infringement *and* sale of those garments below cost combined to create a barrier to entry and thus an unreasonable restraint of trade. (A. 24). As noted by the District Court, Harold's "Third Amended Complaint, alleges in essence, that Dillard's has violated the Oklahoma Unfair Trade Practices Act, Title 79 O.S. § 1, by copying Harold's copyrighted designs, and selling the garments below cost." (A. 42). In footnote 2, the District Court quotes paragraphs 35 through 40 of Harold's Third Amended Complaint, which clearly allege that Dillard's unlawful sale of its garments below cost in violation of the Oklahoma Unfair Sales Act *in conjunction* with Dillard's unlawful reproduction combined as acts which unreasonably restrained trade in Oklahoma. (See specifically paragraph 37 at footnote 2 in A. 43). The District Court noted that "the Third Amended Complaint alleges that Dillard's gathering of Harold's garments with copyrighted designs, Dillard's

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[3] As Dillard's correctly notes, Harold's also established that Dillard's pricing conduct violated the Oklahoma Unfair Sales Act.

unauthorized reproduction of those designs, and sale of those garments below cost 'are acts which substantially lessen competition and unreasonably restrain trade in Oklahoma.' " (A. 45). The District Court again reiterated that "in their Third Amended Complaint, Second Claim for Relief, the plaintiffs allege that Dillard's reproduction of the plaintiffs' fabric designs, and sale of garments made with such copy designs below cost, violates the Oklahoma Unfair Trade Practices Act." (A. 47).

Although the Tenth Circuit focused its analysis upon the Oklahoma antitrust claim's requirement of an extra element of a "restraint of trade" not present in a federal copyright claim, the conduct which was alleged and proven by Harold's to establish that extra element of restraint of trade required proof of Dillard's sale of garments below cost in violation of the Oklahoma Unfair Sales Act in addition to Dillard's acts of copyright infringement. There can be no dispute that the conduct of Dillard's which established the "extra element" of the Oklahoma antitrust claim satisfies the test for preemption which Dillard's seeks to have adopted. Accordingly, even if Dillard's were to be granted the relief it seeks, the judgment against Dillard's would have to be affirmed. The Petition should be denied.

CONCLUSION

The petition for writ of certiorari should be denied.

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